

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 COME-00 TRSE-00 CIAE-00
DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SP-02
/038 W

-----041828 271512Z /46

R 261438Z JAN 78
FM AMCONSUL MONTREAL
TO SECSTATE WASHDC 9957
AMEMBASSY OTTAWA
AMCONSUL QUEBEC
AMCONSUL TORONTO

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E.O. 11652: NA
TAGS: ECON, CA
SUBJECT: MAJOR MONTREAL DEPARTMENT STORE FACING LIQUIDATION

1. DUPUIS FRERES, THE OLDEST OF MONTREAL'S MAJOR DEPARTMENT STORES AND THE ONLY ONE WITH A FRANCOPHONE IDENTITY, ANNOUNCED YESTERDAY THAT ITS ASSETS HAVE BEEN SEIZED BY TRUSTEES FOR ITS MAJOR CREDITORS. ACTION WAS TAKEN BY FIRMS FIRST MORTGAGE HOLDERS, TRUST GENERAL DE CANADA AND ROYAL BANK, AFTER PLANS FOR FINANCIAL REORGANIZATION OF DUPUIS FRERES HAD FALLEN THROUGH. WHILE PRESS ACCOUNTS INDICATE THAT FIRM HAD CHANCE OF STAYING OPEN IF IT COULD FIND NEW FINANCING, ON ORDER OF \$3-4 MILLION WITHIN 45 DAYS, ROYAL BANK INFORMED US THAT FIRM HAD ALREADY BEEN PETITIONED FOR BANKRUPTCY AND WOULD BE CALLED TO APPEAR IN COURT IN 10 DAYS.

2. ACTION CAME AS NO SURPRISE TO FINANCIAL COMMUNITY, AS DUPUIS' DIFFICULTIES WERE WELL-KNOWN, AND RUMORS HAD CIRCULATED FOR SOME TIME THAT FIRM WOULD NOT MAKE IT THROUGH YEAR. DUPUIS HAD ITS LAST PROFITABLE YEAR IN 1971; SINCE THEN ITS LOSSES HAVE AMOUNTED TO OVER \$5 MILLION. REASONS FOR DUPUISJ POOR
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PERFORMANCE ARE NUMEROUS; A HEAVY DEBT LOAD CAUSED BY OVER-EXPANSION OF MAIN DOWNTOWN STORE, A LOCATION WHICH IS DISTANT FROM HUB OF DOWNTOWN SHOPPING AREA, AND GENERAL DEPRESSED ECONOMIC SITUATION IN QUEBEC. SITUATION WAS BROUGHT TO HEAD BY DISASTROUS CHRISTMAS SEASON WHEN MONTREAL TRANSIT STRIKE AND STRIKE AT LA PRESSE, WHERE FIRM PLACES NEARLY ALL OF ITS ADVERTISING, RESULTED IN FURTHER LOSSES.

3. ROYAL BANK SPOKESMAN SAID THAT ONLY HOPE FOR DUPUIS AT THIS POINT WOULD BE OFFER WITHIN NEXT 48 HOURS BY PARTIES WITH STRONG FINANCIAL BACKING WHO COULD PROPOSE FINANCIAL REORGANIZATION. IN RESPONSE TO QUESTION ABOUT POSSIBILITY OF AID FROM PROVINCIAL GOVERNMENT, ROYAL BANK SPOKESMAN TOLD US THAT DISCUSSIONS HAD ALREADY BEEN HELD WITH TOP OFFICIALS OF GOVERNMENT, INCLUDING PREMIER LEVESQUE, AND THAT CREDITORS HAD BEEN TOLD TO ACT AS IF NO AID WOULD BE FORTHCOMING FROM PROVINCIAL GOVERNMENT. RADIO REPORTS REPORTEDLY BASED ON STATEMENTS FROM FINANCE MINISTER PARIZEAU, SUGGEST HOWEVER THAT PROVINCIAL GOVERNMENT IS STILL EXPLORING WAYS TO KEEP DUPUIS' THREE STORES OPEN AND TO PRESERVE SOME 700 JOBS.

4. COMMENT: PSYCHOLOGICALLY, NEWS THAT DUPUIS FRERES, WHICH HAS BEEN AROUND FOR 109 YEARS, MAY HAVE TO CLOSE REPRESENTS ANOTHER BLOW TO CONFIDENCE IN FUTURE OF QUEBEC AND MONTREAL ECONOMY. PROVINCIAL GOVERNMENT WILL UNDOUBTEDLY FIND DUPUIS' DIFFICULTIES A HARD PILL TO SWALLOW, PARTICULARLY IN VIEW OF FIRM'S FRANCOPHONE IMAGE, AND IT IS THEREFORE POSSIBLE THAT PARIZEAU AND CREW WILL STILL PLAY ACTIVE ROLE IN ATTEMPTING TO BROKER SOME SOLUTION TO DUPUIS' PROBLEMS, ALTHOUGH ROYAL BANK'S COMMENTS INDICATE THAT TIME IS INDEED SHORT. PRESS HAS SPECULATED ON POSSIBILITY OF APPROACH TO CAISSE DU DEPOT, BUT CAISSE ALREADY HAS ITS HANDS FULL WITH COMPLEXE DESJARDINS, AND INVESTMENT IN ANOTHER DOUBTFUL RETAIL OPERATION MIGHT NOT BE CONSIDERED A PRUDENT INVESTMENT.

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OF ANNOUNCEMENT OF SUN LIFE MOVE AND JUSTICE DESCHENE'S LANGUAGE RULING, PQ GOVERNMENT MAY BE GETTING A LITTLE SHELL-SHOCKED.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL CRISIS, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 jan 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MONTRE00175
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780041-0037
Format: TEL
From: MONTREAL
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780120/aaaaaqhl.tel
Line Count: 99
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 314109e0-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3710436
Secure: OPEN
Status: NATIVE
Subject: MAJOR MONTREAL DEPARTMENT STORE FACING LIQUIDATION
TAGS: ECON, CA, (DUPUIS FRERES)
To: STATE OTTAWA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/314109e0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014